

MEMORANDUM

TO: Audit Committee
Jon Strinden
Ron Leingang

FROM: Jamie Kinsella, Internal Auditor

DATE: November 28, 2008

SUBJECT: **August 20, 2008 Audit Committee Meeting**

In Attendance:

Jon Strinden, via conference call
Ron Leingang
Rebecca Dorwart
Jamie Kinsella
Sparb Collins
Leon Heick
Deb Knudsen

The meeting was called to order at 10:05 a.m.

I. May 21, 2008 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Internal Audit Quarterly Report

- A. Internal Audit Quarterly Report – The Internal Audit quarterly report listed all of the projects that are in active status as of July 31, 2008. There were 2 projects completed this quarter.

Quarterly Audit Recommendation Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor.

During the past year efforts have been made to ensure that management continues to work on these recommendations. As part of this process, staff reviews these recommendations and their progress at the quarterly Loss Control Committee meetings. Ms. Kinsella report that in the past quarter there was one recommendation completed, progress made on three, and no change for seven of the recommendations.

III. Administrative

- A. Request for Quality Assurance Review – At the May meeting the audit committee approved having a quality assurance review conducted on the NDPERS internal audit division. The approval included having an internal self-assessment conducted, with an external validation conducted by an outside party.

Ms. Kinsella indicated she contacted the Association of Public Pension Fund Auditors on July 28 of her desire to have someone from the organization conduct an external validation. Included with the audit materials were the responses received to date. Ms. Kinsella conveyed after discussion with Sparb, it has become apparent with that with the upcoming work required of staff due to the PERSLink project and the potential issues with the insurance carrier, staff can not accomplish this task in a timely manner. Staff recommended to postpone conducting a quality assurance review on the internal audit division to a later date. Mr. Leingang approved staff's recommendation. Ms. Dorwart seconded the motion.

- B. Audit Committee Charter Revision – Included with the audit committee minutes was a draft of the Audit Committee Charter. Ms. Kinsella conveyed staff entered the change that was discussed at the last audit committee meeting. Staff recommended approving the changes to the Audit Committee Charter and approving the revised Audit Committee Charter before the Board of Directors for their approval the next Board meeting. Mr. Leingang approved staff's recommendation. Ms. Dorwart seconded the motion.

- C. Audit Committee Meeting Date & Time – The November audit committee meeting is scheduled for November 19, 2008 at 10:00 am.

IV. Miscellaneous

- A. Pharmacy Benefits Manager (PBM) Project – A meeting was held with Blue Cross Blue Shield and Prime Therapeutics on Tuesday, August 19, 2008 to discuss the following:

- 1) Rebate process
- 2) RFP to third party
- 3) General discussion
- 4) Time frames

Prime Therapeutics agreed to provide NDPERS with appropriate language for an RFP, as well as their methodology. They will provide their terms and conditions, language regarding confidentiality, what can be done offsite versus onsite, what will be proprietary information as well as any other restrictions, such as nondisclosures, background checks, etc. They will also draft an audit agreement. They also requested that they are given an opportunity to review findings before they go into a report. The timeframe will be historical, probably for the last quarter that is closed.

Discussion was held how to select the sample, whether it be the top 10 in drug volume or drug cost. Prime Therapeutics will provide a report of manufacturers and the statistics. This information will be provided by September 12.

- B. Risk Management Report – At the May audit committee meeting, it was determined that a Risk Management Policy for PERS would not be necessary since a Loss Control Committee is in place to manage risk for the agency. At that time It was suggested that the Loss Control Committee provide a copy of the last meeting agenda and the approved minutes. Deb Knudsen, who oversees the Loss Control Committee, presented an overview of the Committee.
- C. PERSLink Quarterly Report – Included with the audit committee minutes was the PERSLink quarterly status report. NDPERS is required to file this report with ITD throughout the duration of the system replacement project. Ms. Kinsella conveyed the project is on target to go live on October 1 with Pilot 1.1, which consists of contact management, scheduling appointments and seminars, and some workflow, which will require scanning documents as they come in the mail.
- D. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should “Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided.” Included with the audit committee materials was a copy of the report showing the consulting, investment and administrative fees paid during the quarter ended June 30, 2008.
- E. Publications – Included with the audit committee materials were publications and/or articles from the Institute of Internal Auditors.

The meeting adjourned at 11:10 a.m.